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UNCLAS SECTION 01 OF 02 KINSHASA 001724

SIPDIS

SENSITIVE

E.O. 12958: N/A

TAGS: [FAIR](#) [ECON](#) [PGOV](#) [CG](#)

SUBJECT: AIR KASAI ENCOUNTERS TURBULENCE

1. Sensitive but unclassified. Protect accordingly.

2. (U) Summary. Air Kasai, a private aviation firm, built numerous airstrips in Kasai Occidental province to provide air transportation to otherwise isolated diamond mining areas. Soon after launching its operations, Air Kasai encountered opposition from local government officials, traditional chieftans, and rival companies that resulted in government attempts to expropriate its airstrips. Government action is still pending, and Air Kasai is fighting the expropriation decision. This episode demonstrates some of the difficulties of doing business in the DRC and illustrates the frailty of the country's property rights and commercial law. End Summary.

Background

3. (U) Air Kasai, a private aviation firm, was incorporated in the DRC approximately two years ago. The company operates Russian Antonovs (2 AN-2s and 3 AN-26s) within Kasai Occidental province and between Kasai Occidental and Kinshasa. Air Kasai bought plots of land in Kasai Occidental from the GDRC on which to build airstrips for the company's exclusive use. These eleven airstrips allowed Air Kasai to offer transportation to otherwise inaccessible areas in Kasai Occidental's diamond mining regions.

4. (U) Air Kasai's operations contributed to an overall increase in the DRC's diamond exports by opening transportation links to previously isolated locales. They also provide a lifeline for transport of goods into remote areas not easily reached by bush roads. At the outset, business was good for Air Kasai. The company's monopoly on air transportation in Kasai Occidental allowed significant control over pricing, with a half-hour flight costing approximately USD 300 per passenger.

Complaints

5. (U) Shortly after Air Kasai launched its operations, local "chefs coutumiers" (traditional chieftans holding little formal power but significant social influence) began complaining that Air Kasai had unlawfully constructed airstrips on their land, despite the fact that Air Kasai had purchased legal title to the property. The chieftans demanded compensation and took their grievances to the provincial authorities in Tshikapa. (Comment: Local chieftans quite often demand payment from companies operating in their zones of influence. Absent government financing and attention, the chieftans attempt to collect funds from any available source. End Comment.)

6. (SBU) Provincial officials in Tshikapa took up the cause and complained to RVA (air transportation authority) and the Ministry of Transportation that Air Kasai "did not respect the laws" and "had refused to assist the government during the expulsion of Congolese from Angola." (Note: This refers to the forced repatriation of Congolese engaged in illicit mining activities in Angola. End Note.) Provincial officials, including the mayor of Tshikapa, reiterated their protests to Econoffs during a recent visit to Kasai Occidental. The mayor of Tshikapa also added to the list of grievances the fact that "Air Kasai does not permit government officials to fly for free."

7. (SBU) Meanwhile, a rival aviation firm, Thom's Airways, requested and was denied the use of Air Kasai's private airstrips. Thom's Airways also complained to RVA and the Ministry of Transportation, claiming that Air Kasai was engaging in unfair business practices. Air Kasai responded that it had paid for the land and constructed the airstrips, and was therefore entitled to their exclusive use. (Comment: Thom's Airways owns only a single AN-2 which it operates infrequently. Air Kasai claims that Thom's Airways is little more than a front for its owner's diamond business. End Comment.)

Intervention

8. (SBU) Under pressure from the chieftans, local authorities

in Tshikapa, Thom's Airways, and RVA, the Minister of Transportation signed a decree expropriating Air Kasai's airstrips without compensation. The expropriation is still pending, and Air Kasai is fighting the decision. (Comment: Air Kasai insinuated to Econoffs that Thom's Airways influenced the Minister of Transportation with contributions of illegal diamond revenues. End Comment.)

9. (SBU) Air Kasai has since agreed to grant Thom's Airways landing rights on a fee-per-use basis until the expropriation issue is resolved. (Note: After receiving permission to use Air Kasai's airstrips, Thom's Airways promptly began undercutting Air Kasai's prices, flying freight into Kasai Occidental for a third of its rivals' prices. End Note.) However, the chefs coutumiers and officials in Tshikapa have not been placated, and continue their complaints. Grievances against Air Kasai were a common theme of Econoffs' recent visit to Tshikapa.

Comment

10. (SBU) RVA and Ministry of Transportation attempts to expropriate Air Kasai's airstrips demonstrate the frailty of property rights and commercial law in the DRC. With investor confidence tenuous at best, government expropriation of private assets can only further discourage new investment.

11. (SBU) Air Kasai's troubles also illustrate several unwritten rules of business in the DRC. Local chieftains should be treated with caution and respect as they carry influence beyond their official status. Small favors (such as occasional free flights for local government officials) or outright payments are sometimes necessary to grease the wheels of private commercial ventures. Finally, official permission and legal documentation offer scant protection when political or social interests are aligned against a firm, especially if the firm is a small or medium-sized business without international backing. End Comment.
MEECE